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The book contains much excellent work in its distinctions between the three forms of insurance—covering respectively sickness, accident and old age. We are shown why the sick should be under a narrower and more local control; why accidents should be paid for by the employer, and the cost thrown wholly upon the industry; why old-age pensions constitute, in their deferred payments, a wholly different problem.

Just as valuable is the plain speaking about the palpable defects in the insurance of railroad employees on some of our American lines. One need not blame the officials for desiring to bind their laborers, so that all forms of disturbing revolt shall be kept in abeyance. This is a fair move in the game, though it would, perhaps, be better to make somewhat less of philanthropic motives. When, however, this process takes the form of insurance, under which the wage-earner forfeits his payments if he goes elsewhere, it is plainly vicious and should be subjected to the severest public criticism.

Both the matter and the spirit of this volume will do good service in the United States in furthering and enlightening the discussion of labor insurance, to which we shall sooner or later be driven.

ZERMATT.

JOHN GRAHAM BROOKS.

Studies in Currency, 1898. By T. H. FARRER. London, Macmillan & Co., 1898.—xxiii, 415 pp.

In this volume Lord Farrer has collected some fourteen essays on currency topics, which he has contributed to various publications during the last ten years. Seven of the shorter articles have appeared in the series of pamphlets issued by the Gold Standard Defence Association; and these, necessarily rather controversial in tone, have the defects as well as the virtues of the series, for they are short, popular in style and rather dogmatic. Four of the papers were written for, or are extracts from the reports of, Parliamentary commissions; while the remaining three appeared in newspapers or reviews. The majority of the essays were plainly called forth by the bimetallic controversy; and accordingly considerable space is devoted to the India silver problem, and to other subjects which have formed the basis of recent English monetary discussions.

The most thoughtful as well as the longest essay, entitled "What do we pay with? or Gold, Credit and Prices," was originally written in 1888 for the use of the Gold and Silver Commission. Closely connected with this are the two following papers on "The Quantitative Theory of Money," and "Bimetallism and the Foreign

Exchanges." The underlying problem in all three essays is to decide whether there is any quantitative relation between gold and exchangeable commodities or, assuming a general fall in prices and a deficiency in the supply of gold, whether the fall in prices has been caused by the scarcity of gold. A decided negative is Lord Farrer's answer. As this idea runs through all the articles and furnishes the basis for most of the conclusions, we shall review only these essays, which constitute about one-fourth of the entire volume.

Lord Farrer's argument is that "money" consists not only of coin, but also of all forms of credit (pp. 6, 72, 180); and as almost all (98%!) of the commercial transactions of advanced nations are carried on by means of credit (pp. 75, 181), the quantity of metallic money in use cannot greatly affect prices. "The only known connection between the quantity of gold and prices" (p. 137) lies in the ultimate possibility of a demand for the redemption of these credit instruments in gold. For this purpose some reserves of gold must be kept, but these bear an ever-decreasing proportion to credit, which is the real medium of exchange (p. 136). Credit regulates prices, and credit is "limited by the debtors' solvency" and depends "only secondarily and in a very subordinate degree upon the supply of gold" (p. 167). The liability to pay in gold is merely a test of solvency that "is rarely, if ever, actually supplied" (p. 165). And this is true, according to Lord Farrer, not only of the transactions within a single country, but also, and increasingly so, of international exchanges. These are settled by the transfer of securities from one country to another, or by book transfers of credit in international banking houses, *etc.*

However great the development in this direction may have been in recent years, there does not seem to be any reason for believing that the payment of international balances by means of gold can ever be dispensed with. In fact, with every extension in the use of credit, gold will become more necessary as a regulator of credit currency and credit prices. Accepting Lord Farrer's contention that credit is the regulator of prices, an excessive increase of credit money would raise prices, cause increased imports and bring about an unfavorable balance of trade. This would normally cause a drain of gold, which could not be permanently stopped by transfers of stocks or securities, *i.e.* credit. Indeed, the greater the resort to credit in any country, the more needful would such a drain be in order to show that prices were unduly high and to put an end to the expansion. Ultimately it would be inevitable.

Underlying this argument we find a confusion which runs through

the whole book — the extension of the idea of a universally accepted medium of exchange, *i.e.* gold, to the locally current substitutes therefor, which are in effect promises to pay gold. Credit money cannot multiply indefinitely without reference to the quantity of gold in a country; and Lord Farrer is, therefore, not entirely correct when he says that the reserves have “little or no relation to the quantity of credit which is said to be, and, in one sense is, based upon them” (p. 166). Still less defensible is the statement that “this gold need not be in the till of the banker; it need not be in the pocket of the creditor. It need not even be in the country of either, provided that there exist the means of procuring it. For the sake of convenience a certain quantity of it is kept in the reserves of the bankers” (p. 165). That is just the point. This reserve of gold, on which credit is based, *must* be kept on hand, as a guaranty of solvency, not only by banks but by individuals also. It is not even sufficient to possess the means of procuring it: the gold itself must be immediately available.

Conclusions upon such subjects, where there is so great a lack of accurate statistical data, must be to some extent matters of opinion and held subject to revision, but correct views can be obtained only when proper distinction is made between the functions of metallic money and of credit as media of exchange. The effect of the views set forth in this volume upon the question of bimetallism and other currency problems is, of course, obvious, and there is no uncertainty as to the author's attitude. Lord Farrer has served on the Gold and Silver Commission of 1888 and on Lord Herschel's Indian Currency Committee in 1893, and is well known as a staunch monometallist. This latest volume of his will doubtless prove a formidable weapon in the arsenal of American adherents of the gold standard.

INDIANA UNIVERSITY.

E. L. BOGART.

Report of the Monetary Commission of the Indianapolis Convention of boards of trade, chambers of commerce, commercial clubs and other similar bodies of the United States. By J. LAURENCE LAUGHLIN. Chicago, The University of Chicago Press, 1898. — xv, 608 pp.

The first part of this document is devoted to the history of the Indianapolis Monetary Convention and of the action taken on its initiative, together with the preliminary report of the Monetary Commission and the bill, embodying their views, which was introduced into the House of Representatives in January, 1898. The newer